Business

Hectoring tutors HMRC gets tough on private coaches B3

Southern Cross reprieve Landlords approve emergency transition B3

Recovery signs grow with boost for jobs and lending

By Roland Gribben

GROWING signs of recovery in jobs, the construction industry, professional services and firmer indications that companies are increasing borrowing are providing tentative pointers that the long-awaited economic recovery is starting to gather momentum.

A report from Manpower, the recruitment specialists, says the outlook for jobs is the most positive for three years with small companies leading the way. Another from jobs website Monster shows a 5pc rise in recruitment in the professional services while a construction survey from Glenigan is cautiously optimistic about a modest pick-up in the second half after a 31pc slide in housebuilding in the three months to May.

The reports are selective but their tone will provide some relief for the Government, encouraged by new figures showing banks are on target to meet their commitments to lend more to companies seeking to expand.

Earlier official figures had suggested the banks were lagging well behind the lending levels promised in the Project Merlin accord but a new interpretation shows they should comfortably exceed the corporate lending target while just failing to meet the small and medium-sized businesses borrowing level.

Previously confidential figures, deleted from Project Merlin on Chancellor George Osborne's orders, now show banks have promised to lend £17.25bn a quarter to small companies. In the first quarter they advanced £17.2bn compared with the officially published figure of £16.8bn.

Ministers have been anxiously looking for recovery indicators. They have been encouraged by the motor industry's vote of confidence, with BMW and Nissan to increase investment and safeguard jobs in the Midlands and on Wearside. Business Secretary Vince Cable was in Detroit yesterday trying to persuade Ford and General Motors to match the German and Japanese commitment.

The Government will draw most comfort from the job indicators in the clutch of surveys as it looks to the private sector to create another 400,000 jobs this year to offset public sector cuts.

Manpower, after surveying 2,100 employers about hirings over the next three months, expects a 3pc overall growth in new jobs. Big companies are expected to continue shedding labour but small businesses say they could increase their employment total by 8pc.

Mark Cahill, Manpower's UK managing director, believes small companies are recruiting to take advantage of a pick-up in orders but is questioning whether the Government will achieve the scale of cutbacks it is seeking in the public sector. "We were expecting 40,000 jobs to go by April but from what we can see the total is nearer 10,000," he added.

The Monster Employment Index shows recruitment growth of 5pc over the last year with jobs in education, training and libraries down 12pc, online jobs in engineering up 26pc and legal openings falling by 20pc.

Banking and finance vacancies in the City are up by more than a third in the three months to end April compared with the same period a year ago although the growth trend is slowing says eFinancialCareers in its latest quarterly bulletin.

Scot Power's £800m loan angers MPs

By Rowena Mason

MPS have raised fresh concerns that Scottish Power is "milking the British consumer", after finding that the company that recently raised energy bills to record levels has lent £800m to its foreign sister company.

Scottish Power claimed last week that it could not afford to keep tariffs at current levels, adding 19pc to average gas bills and 10pc to electricity bills. This means the average dual-fuel customer will see their bill increase by £175 per year to just under £1,400.

However, *The Daily Telegraph* can disclose that Scottish Power had so much "surplus liquidity" that it lent £800m to the American operations of Iberdrola, its Spanish parent company. It handed over the 10-year loan in 2009 and about half the sum has yet to be repaid. The loan was made at market rates, and therefore is not a cross-subsidy. However, last night MPs called for more transparency over concerns that money that could be invested in the UK for the benefit of British customers is "draining overseas".

In 2008, Scottish Power also lent £750m directly to its Spanish parent, which was later repaid.

Tim Yeo, chairman of the energy committee, said: "This does reinforce the need for much greater transparency in the pricing policy of the energy companies.

"If cash is being drained out of the company overseas, it's all the more incumbent on them to make sure British pricing policies are fair.

"We don't want to feel that British consumers are being in any way exploited for the benefit of any overseas shareholders. The public suspicion will only be allayed if there is much greater transparency around price increases and they are justified with the publication of how much companies pay in wholesale prices."

The Telegraph

Huhne: Households must fight energy price rises
» telegraph.co.uk/finance

Until this year, Iberdrola's US gas and electricity supply companies had not raised customer bills since the mid-1990s. The American customers will see their first bill increases this year of between 2pc and 8pc. Meanwhile, UK customers will have seen average bills rise by more than 40pc since 2007, when the new tariff kicks in on August 1.

John Robertson, Glasgow MP and member of the energy committee, said: "I was shocked and very angry to learn this and I will be raising this when they are next before my select committee you can rest assured. It seems a little bit rich and beyond the pale to be hiking up prices in the UK when the company [has lent] £800m. It is in no one's interest to have energy companies milking the British consumer at a time when households are struggling to make ends meet."

Four out of the "Big Six" energy companies are in foreign hands. E.ON and RWE npower are both owned by German parent companies, while EDF is part-owned by the French state.

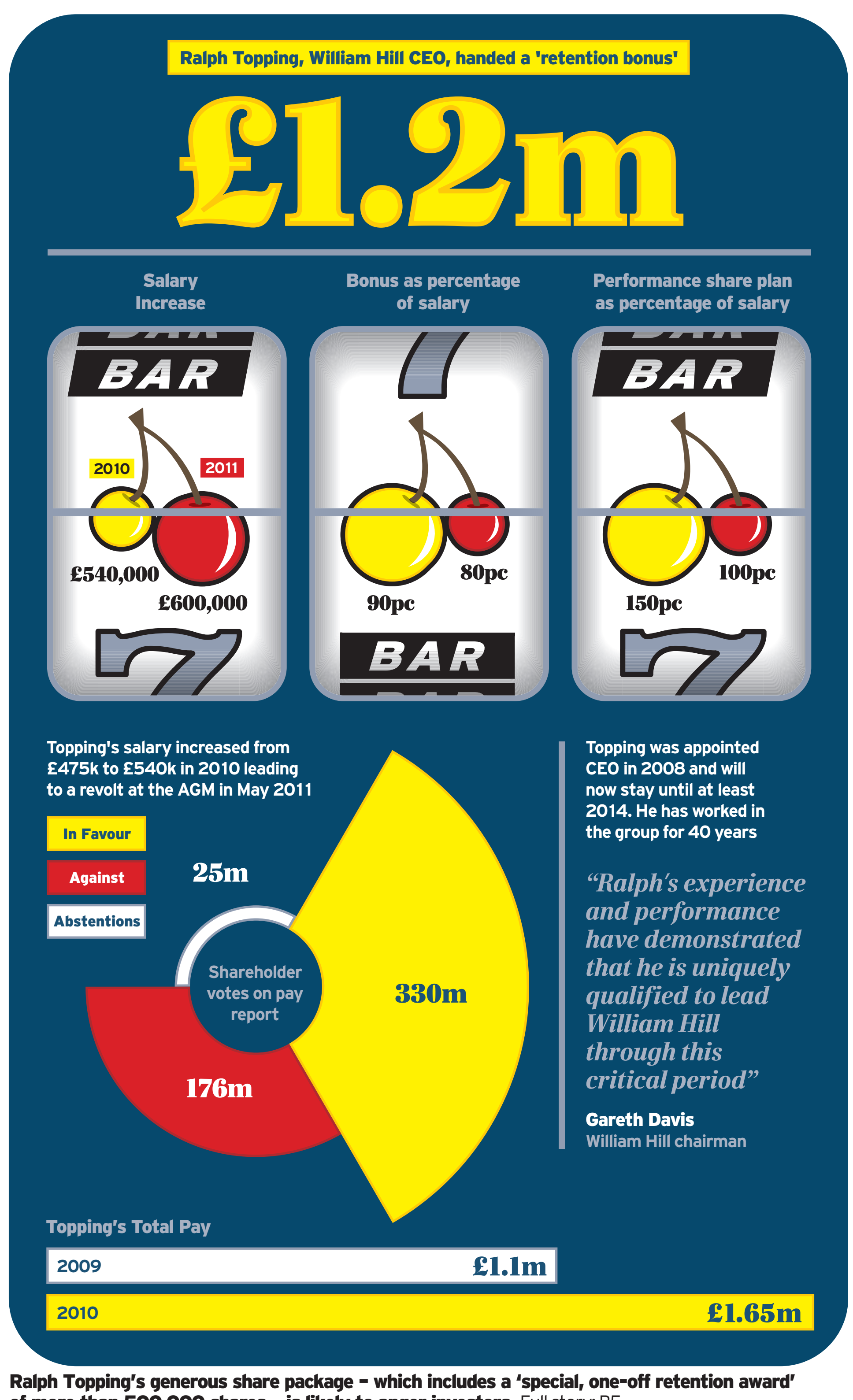
This means they do not give as much detail in their company results about their UK operations as British Gas owner Centrica and Scottish & Southern Energy, which are London-listed.

A spokesman for Which? called for greater disclosure about how bills are calculated. "On the one hand they are saying there is no choice about increasing prices and on the other hand we've got Scottish Power lending £800m to its sister company."

However, a spokesman for Scottish Power said: "This is a normal inter-company transaction that's used to optimise the liquidity of the group. Since the loan was made, 50pc has been paid back. It's done at arm's length and at market rates."

Comment: B2

Jackpot William Hill chief's golden retainer



Ralph Topping's generous share package – which includes a 'special, one-off retention award' of more than 500,000 shares – is likely to anger investors. Full story: B5

Greece hit by credit downgrade

By Louise Armitstead

GREECE'S recovery plans have suffered another hammer blow after Standard & Poor's cut the country's credit rating because of "a significantly higher likelihood of one or more defaults".

The rating agency reduced the long-term rating on Greek sovereign debt from B to CCC, only four notches above default. It added that, in its view, the country's credit outlook was "negative".

The yield on 10-year bonds issued by Greece has soared to 16.9pc and the country's sovereign debt is now the lowest rated in the world, ranking below Ecuador, Jamaica and Grenada. The move also impacted on Portuguese and Irish bonds, which are experiencing similar problems to the Hellenic nation.

The downgrade triggered an angry response from the Greek finance ministry, which claimed Standard &

Continued on B4

Scotland to issue its own bonds

By Louise Armitstead

JUST when European credit traders felt they could no longer be shocked, the Government has announced that Scotland will soon be able to issue its own sovereign bonds.

The launch of the "Braveheart bonds" was sanctioned as part of the Scotland Bill which includes the biggest transfer of fiscal powers from Westminster to Edinburgh in the Union's 300-year history. The Treasury insisted that the bonds, which can be issued without further primary legislation, would be guaranteed by Scotland and not the UK Government.

As part of the package, Edinburgh has also been given extra tax-raising powers.

Overall amendments to the Scottish Bill will hand an extra £12bn of spending to Scotland, which currently has an annual budget of £30bn to spend on health, education and other public services.

At the moment, Scotland can borrow £500m to cover short-term spending gaps. It will now have the ability to borrow up to £2.2bn to finance long-term infrastructure projects. Capital borrowing will be capped at £230m a year.

In a statement George Osborne said "devolution brings rights, but also responsibilities".

ENRC loses another executive

By Louise Armitstead

EURASIAN Natural Resources Corporation (ENRC) has lost its fifth executive in less than a week with the resignation of its company secretary, *The Daily Telegraph* can reveal.

Randal Barker, who joined ENRC in 2008 and was also the company's general legal counsel, stepped down yesterday. He was previously legal director at Resolution. ENRC declined to comment.

Mr Barker's unexpected departure coincided with weekend reports that ENRC's key shareholders had held discussions with Glencore over the possibility of a £12bn takeover. ENRC shares climbed almost 5pc yesterday.

The Kazakh miner was the biggest riser in the FTSE 100 as traders shrugged off concerns about last week's boardroom blood-letting. The shares closed up 35 at 777p.

Glencore and ENRC declined to comment. Insiders confirmed that regulators had contacted the companies and said that had talks been live they would have forced a statement.

However, the Financial Services Authority (FSA) is under pressure to re-examine ENRC's flotation after Sir Richard Sykes, one of the company's former non-executive directors, claimed the listing was a "mistake".

Last week Sir Richard, a former chairman of GlaxoSmithKline, and Ken Olisa, head of technology merchant bank Restoration Partners, were voted off the board in a move Mr Olisa called "more Soviet than City". Two other directors also left the board.

Sir Paul Judge and Mehmet Dalman, who survived the clear-out, have demanded a commitment from the chairman to a radical overhaul of the company's structure.

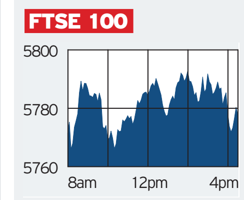
Both threatened to resign in the wake of the blood-letting. However, minority shareholders, which include BlackRock and Capital, want them to stay, particularly if a bid from Glencore or any other company materialises.

Comment: B2

60 SECOND BRIEFING

MARKETS

FTSE 100



5773.46
+7.66 0.13pc

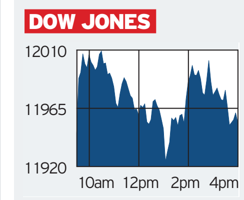
2011 High	6091.33	
2011 Low	5598.23	
Yield	3.18pc	-0.01
P/E ratio	10.96	+0.01

A decent start on Wall Street failed to help the London market rebound significantly from Friday's sell off.
MARKET REPORT B9 »

BIGGEST RISER
ENRC
776½p
+34½p (4.65pc)

BIGGEST FALLER
AGGREKO
1874p
-61p (3.15pc)

DOW JONES



11952.97
+1.06 +0.01pc

The US index made slight gains as stalling crude oil prices dragged down energy producers and offset earlier gains from merger news.

OTHER MARKETS

FTSE 250	11779.46	-6.56
FTSE All-share	3015.72	+3.10
Yield	3.07	unch
FTSE Eurotop 100	2258.24	+5.15
Nikkei	9448.21	-66.23
DJ Eurostox50	2733.95	+1.41
S&P 500	1271.86	+0.88
Nasdaq	2639.69	-4.04

CURRENCIES

	£ €	£ $
RATE	1.1343	1.6307
CHANGE	+0.41c	+0.79c

FULL LISTING B5 »

COMMODITIES

GOLD
$1528 (£936)
unch

BRENT CRUDE
$119.10 July
+0.32 +0.26pc